

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

# **BIRCH RUN TOWNSHIP**

Saginaw County, Michigan

## **FINANCIAL STATEMENTS**

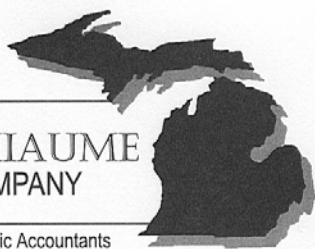
March 31, 2006

## TABLE OF CONTENTS

	PAGE
<b>Independent Auditors' Report</b> .....	
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Assets.....	3
Statement of Activities .....	4
Fund Financial Statements:	
<i>Governmental Funds:</i>	
Balance Sheet.....	5
Reconciliation of Fund Balances of Governmental Funds to Net Assets of	
Governmental Activities .....	6
Statement of Revenues, Expenditures and Changes in Fund Balances.....	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities.....	8
<i>Proprietary Funds:</i>	
Statement of Net Assets .....	9
Statement of Revenues, Expenses, and Changes in Net Assets.....	10
Statement of Cash Flows.....	11
<i>Fiduciary Funds:</i>	
Statement of Net Assets .....	12
Notes to Financial Statements.....	13
<b>Required Supplemental Information:</b>	
Budgetary Comparison Schedule – General Fund .....	28
Budgetary Comparison Schedule – Special Revenue Fund – Library Fund.....	29
<b>Other Supplemental Information:</b>	
<i>General Fund:</i>	
Detailed Schedule of Revenues.....	31
Detailed Schedule of Expenditures.....	32
<i>Nonmajor Governmental Funds:</i>	
Combining Balance Sheet .....	33
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	34
<i>Fiduciary Fund:</i>	
Statement of Changes in Assets and Liabilities .....	39
Schedules of Indebtedness .....	40

BERTHIAUME  
& COMPANY

Certified Public Accountants



60 Harrow Lane  
Saginaw, Michigan 48638

(989) 791-1555  
Fax (989) 791-1992

## INDEPENDENT AUDITORS' REPORT

To the Township Board  
Birch Run Township  
Saginaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Birch Run Township, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Birch Run Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Birch Run Township, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule as identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Birch Run Township's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

*Berthiaume & Co.*

August 24, 2006

## ***BASIC FINANCIAL STATEMENTS***

# BIRCH RUN TOWNSHIP

## STATEMENT OF NET ASSETS

March 31, 2006

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 976,457	\$ 888,273	\$ 1,864,730
Taxes receivable	12,473	-	12,473
Accounts receivable	63,463	109,442	172,905
Special assessments receivable	-	693,590	693,590
Due from other governmental units	51,604	-	51,604
Internal balances	(41,522)	41,522	-
Prepaid expenses	13,383	-	13,383
Capital assets:			
Nondepreciable capital assets	54,000	-	54,000
Depreciable capital assets, net	1,397,580	3,273,689	4,671,269
Other assets	-	340,573	340,573
Total assets	<u>2,527,438</u>	<u>5,347,089</u>	<u>7,874,527</u>
<b>Liabilities:</b>			
Accounts payable	37,447	48,633	86,080
Accrued expenses	-	28,466	28,466
Deposits payable	21,857	-	21,857
Long-term liabilities:			
Due within one year	-	154,767	154,767
Due in more than one year	-	1,508,168	1,508,168
Total liabilities	<u>59,304</u>	<u>1,740,034</u>	<u>1,799,338</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	1,311,580	1,610,754	2,922,334
Restricted for:			
Debt service	431	-	431
Nonexpendable cemetery principal	1,863	-	1,863
Unrestricted	<u>1,154,260</u>	<u>1,996,301</u>	<u>3,150,561</u>
Total net assets	<u>\$ 2,468,134</u>	<u>\$ 3,607,055</u>	<u>\$ 6,075,189</u>

*The accompanying notes are an integral part of these financial statements.*

# BIRCH RUN TOWNSHIP

## STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

Functions/Programs	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
<i>Governmental activities:</i>					
General government	\$ 329,921	\$ 92,337	\$ 9,705	\$ 14,400	\$ (213,479)
Public safety	222,409	52,310	3,370	-	(166,729)
Public works	230,644	179,464	5,354	-	(45,826)
Community and economic deveopment	23,542	11,132	-	-	(12,410)
Recreation and culture	161,035	5,812	31,172	-	(124,051)
Interest on long-term debt	<u>628</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(628)</u>
Total governmental activities	<u>968,179</u>	<u>341,055</u>	<u>49,601</u>	<u>14,400</u>	<u>(563,123)</u>
<i>Business-type activities:</i>					
Water and sewer	<u>358,333</u>	<u>340,873</u>	<u>44,900</u>	<u>-</u>	<u>27,440</u>
Total business-type activities	<u>358,333</u>	<u>340,873</u>	<u>44,900</u>	<u>-</u>	<u>27,440</u>
	<u>\$ 1,326,512</u>	<u>\$ 681,928</u>	<u>\$ 94,501</u>	<u>\$ 14,400</u>	<u>\$ (535,683)</u>

continued

*The accompanying notes are an integral part of these financial statements.*

---

	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
<i>Changes in net assets:</i>			
Net (Expense) Revenue	\$ (536,123)	\$ 27,440	\$ (535,683)
<b>General revenues:</b>			
Taxes:			
Property taxes, levied for general purpose	233,092	-	233,092
Property taxes, levied for debt service	312	-	312
Franchise taxes	35,313	-	35,313
Grants and contributions not restricted to specific programs	310,177	-	310,177
Unrestricted investment earnings	<u>37,980</u>	<u>18,399</u>	<u>56,379</u>
Total general revenues, contributions, special items and transfers	<u>522,247</u>	<u>113,026</u>	<u>635,273</u>
Change in net assets	(40,876)	140,466	99,590
Net assets, beginning of year	<u>2,509,010</u>	<u>3,466,589</u>	<u>5,975,599</u>
Net assets, end of year	<u>\$ 2,468,134</u>	<u>\$ 3,607,055</u>	<u>\$ 6,075,189</u>



# BIRCH RUN TOWNSHIP

---

## GOVERNMENTAL FUNDS

### BALANCE SHEET

March 31, 2006

	General Fund	Library Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and cash equivalents	\$ 855,744	\$ 2,308	\$ 118,405	\$ 976,457
Taxes receivable	11,606	-	867	12,473
Accounts receivable	63,463	-	-	63,463
Due from other governmental units	51,604	-	-	51,604
Due from other funds	8,028	237	-	8,265
Prepaid expenditures	13,383	-	-	13,383
Total assets	<u>\$ 1,003,828</u>	<u>\$ 2,545</u>	<u>\$ 119,272</u>	<u>\$ 1,125,645</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 35,013	\$ 2,434	\$ -	\$ 37,447
Due to other funds	237	-	49,550	49,787
Deposits payable	21,857	-	-	21,857
Deferred revenue	31,303	-	-	31,303
Total liabilities	<u>88,410</u>	<u>2,434</u>	<u>49,550</u>	<u>140,394</u>
<b>Fund balances:</b>				
Reserved for:				
Prepaid expenditures	13,383	-	-	13,383
Debt service	-	-	431	431
Nonexpendable cemetery principal	-	-	1,863	1,863
Unreserved:				
General fund	902,035	-	-	902,035
Special revenue funds	-	111	67,428	67,539
Total fund balances	<u>915,418</u>	<u>111</u>	<u>69,722</u>	<u>985,251</u>
Total liabilities and fund balances	<u>\$ 1,003,828</u>	<u>\$ 2,545</u>	<u>\$ 119,272</u>	<u>\$ 1,125,645</u>

*The accompanying notes are an integral part of these financial statements.*

# **BIRCH RUN TOWNSHIP**

---

## **RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**

March 31, 2006

**Total fund balances for governmental funds** \$ 985,251

Total net assets reported for governmental activities in the statement of  
of net assets is different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

Governmental capital assets	2,022,834	
Less accumulated depreciation	<u>(571,254)</u>	1,451,580

Deferred revenues reported in the governmental funds are recognized as revenues for the governmental activities.	<u>31,303</u>
---	---------------

**Net assets of governmental activities** \$ 2,468,134

*The accompanying notes are an integral part of these financial statements.*

# BIRCH RUN TOWNSHIP

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2006

	General Fund	Library Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 202,535	\$ -	\$ 91,342	\$ 293,877
Licenses and permits	93,813	-	-	93,813
State grants	343,006	5,384	-	348,390
Contributions from other units	-	24,833	-	24,833
Charges for services	202,703	947	-	203,650
Fines and forfeits	540	1,042	-	1,582
Interest and rents	38,250	707	337	39,294
Other revenue	12,347	4,144	-	16,491
Total revenues	<u>893,194</u>	<u>37,057</u>	<u>91,679</u>	<u>1,021,930</u>
<b>Expenditures:</b>				
<i>Current:</i>				
General government	315,077	-	-	315,077
Public safety	183,745	-	-	183,745
Public works	230,644	-	-	230,644
Community and economic development	18,376	-	5,166	23,542
Recreation and culture	20,444	109,993	-	130,437
Capital outlay	35,804	1,983	-	37,787
Debt service:				
Principal	-	-	70,000	70,000
Interest and fees	-	-	1,841	1,841
Total expenditures	<u>808,922</u>	<u>111,976</u>	<u>77,007</u>	<u>997,905</u>
Excess (deficiency) of revenues over expenditures	<u>84,272</u>	<u>(74,919)</u>	<u>14,672</u>	<u>24,025</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	75,000	-	75,000
Transfers out	<u>(75,000)</u>	<u>-</u>	<u>(94,627)</u>	<u>(169,627)</u>
Total other financing sources (uses)	<u>(75,000)</u>	<u>75,000</u>	<u>(94,627)</u>	<u>(94,627)</u>
Net change in fund balances	9,272	81	(79,955)	(70,602)
Fund balances, beginning of year	<u>906,146</u>	<u>30</u>	<u>149,677</u>	<u>1,055,853</u>
Fund balances, end of year	<u>\$ 915,418</u>	<u>\$ 111</u>	<u>\$ 69,722</u>	<u>\$ 985,251</u>

The accompanying notes are an integral part of these financial statements.

# **BIRCH RUN TOWNSHIP**

---

## **RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

March 31, 2006

**Net change in fund balances - total governmental funds** \$ (70,602)

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	37,787	
Less depreciation expense	<u>(79,274)</u>	<u>(41,487)</u>

Repayments of principal on capital leases and contracts is an expenditure in governmental funds, but the payment reduces long-term liabilities in the statement of net assets. 70,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest on bonds payable	<u>1,213</u>
---	--------------

**Change in net assets of governmental activities** \$ (40,876)

*The accompanying notes are an integral part of these financial statements.*

# BIRCH RUN TOWNSHIP

---

## PROPRIETARY FUND STATEMENT OF NET ASSETS

March 31, 2006

	<b>Major Enterprise Fund Water and Sewer System Fund</b>
<b>Assets:</b>	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 888,273
Accounts receivable	109,442
Special assessments receivable	3,392
Due from other funds	<u>46,033</u>
Total current assets	<u>1,047,140</u>
<i>Noncurrent assets:</i>	
Special assessments receivable	690,198
Capital assets:	
Depreciable capital assets, net	3,273,689
Other asset - Additional purchased capacity	<u>340,573</u>
Total noncurrent assets	<u>4,304,460</u>
Total assets	<u>5,351,600</u>
<b>Liabilities:</b>	
<i>Current liabilities:</i>	
Accounts payable	48,633
Accrued expenses	28,466
Due to other funds	4,511
Current portion of long-term debt	<u>154,767</u>
Total current liabilities	<u>236,377</u>
<i>Noncurrent liabilities:</i>	
Long-term debt	<u>1,508,168</u>
Total noncurrent liabilities	<u>1,508,168</u>
Total liabilities	<u>1,744,545</u>
<b>Net assets:</b>	
Invested in capital assets, net of related debt	1,610,754
Unrestricted	<u>1,996,301</u>
Total net assets	<u>\$ 3,607,055</u>

*The accompanying notes are an integral part of these financial statements.*

# BIRCH RUN TOWNSHIP

---

## PROPRIETARY FUND

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended March 31, 2006

	<b>Major Enterprise Fund Water and Sewer System Fund</b>
<b>Operating revenues:</b>	
Charges for services	\$ 281,266
Penalties	1,613
Other	6,989
Total operating revenues	<u>289,868</u>
<b>Operating expenses:</b>	
Personnel	24,151
Fringe benefits	1,831
Supplies	20,518
Contracted services	34,880
Purchase of water	27,080
Telephone	544
Mileage	1,146
Education and training	1,429
Printing and publishing	31
Insurance	733
Utilities	447
Repair and maintenance	17,425
Other services and supplies	2,528
Depreciation	<u>124,074</u>
Total operating expenses	<u>256,817</u>
Operating income (loss)	<u>33,051</u>
<b>Non-operating revenues (expenses):</b>	
Interest income	18,399
Interest income earned on special assessments	51,005
Capital contributions - connection fees	44,900
Interest expense	<u>(101,516)</u>
Total non-operating revenues (expenses)	<u>12,788</u>
Net income (loss) before operating transfers	45,839
<b>Operating transfers:</b>	
Transfer from other funds	<u>94,627</u>
Net income (loss)	140,466
Net assets, beginning of year	<u>3,466,589</u>
Net assets, end of year	<u>\$ 3,607,055</u>

*The accompanying notes are an integral part of these financial statements.*

# BIRCH RUN TOWNSHIP

---

## *PROPRIETARY FUND*

### STATEMENT OF CASH FLOWS

Year Ended March 31, 2006

	<b>Major Enterprise Fund Water and Sewer System Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 151,308
Cash payments to employees	(24,151)
Cash payments to suppliers for goods and services	<u>(67,717)</u>
Net cash provided (used) by operating activities	<u>63,951</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition and construction of capital assets	(60,489)
Principal payments	(176,185)
Interest paid	(101,516)
Payments received on special assessments	89,137
Interest earned on special assessments	51,005
Payments received for water line connections	<u>44,900</u>
Net cash (used) by capital and related financing activities	<u>(153,148)</u>
<b>Cash flows from investing activities:</b>	
Interest received	<u>18,399</u>
Net cash provided (used) by investing activities	<u>18,399</u>
Net increase (decrease) in cash and cash equivalents	23,829
Cash and cash equivalents, beginning of year	<u>864,444</u>
Cash and cash equivalents, end of year	<u><u>\$ 888,273</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ 33,051
Adjustments:	
Depreciation	124,074
Changes in assets and liabilities:	
Accounts receivable	(109,442)
Due from other funds	2,579
Accounts payable	40,074
Accrued expenses	(1,778)
Due to other funds	4,511
Deposits payable	<u>(29,118)</u>
Net cash provided (used) by operating activities	<u><u>\$ 63,951</u></u>

*The accompanying notes are an integral part of these financial statements.*

# BIRCH RUN TOWNSHIP

---

*FIDUCIARY FUND*  
**STATEMENT OF NET ASSETS**  
March 31, 2006

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 29,227
Total assets	<u>29,227</u>
<b>Liabilities:</b>	
Accounts payable	17,704
Undistributed tax collections	<u>11,523</u>
Total liabilities	<u>29,227</u>
<b>Net Assets:</b>	
Unrestricted	<u>-</u>
Total net assets	<u><u>\$ -</u></u>

*The accompanying notes are an integral part of these financial statements.*



## ***NOTES TO FINANCIAL STATEMENTS***

# BIRCH RUN TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS

March 31, 2006

---

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

---

The accounting policies of Birch Run Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township and its component units. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Township. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component unit discussed below is included in the Township's reporting entity because of its operational or financial relationship with the Township.

#### **Component Unit:**

**Downtown Development Authority** - The members of the governing board of the Downtown Development Authority are appointed by the Township board. The budgets and expenditures of the Downtown Development Authority must be approved by the Township board. The Township also has the ability to significantly influence operations of the Downtown Development Authority. The DDA is handled by the Township as a special revenue fund. The DDA is included with the Township financial statements using the blended presentation method because it serves as a financing source for capital projects and debt service payments benefiting the Township's operations.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### *Government-wide Financial Statements:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are

# **BIRCH RUN TOWNSHIP**

---

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

March 31, 2006

levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township’s net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Township’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township’s net assets resulting from current year activities.

### *Fund Financial Statements:*

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

# BIRCH RUN TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Township reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Library Fund** is used to account for the revenues collected to provide for the operation the public library.

The Township reports the following major enterprise fund:

The **Water and Sewer System Fund** is used to account for the revenues and expenses for the operation of a water and sewer system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

# BIRCH RUN TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

### Assets, Liabilities and Equity

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value. For purposes of the statement of cash flows, the Township considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

**Interfund Receivables and Payables** – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

**Inventories and Prepaid Items** – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Distribution system	15-50 years
Equipment	5-25 years
Furniture and equipment	5-25 years
Site improvements	15-25 years
Vehicles	10-25 years

**Compensated Absences** – The Township does not allow the carryover of unused sick or vacation days.

**Long-term Obligations** – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# **BIRCH RUN TOWNSHIP**

---

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

March 31, 2006

### **Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Eliminations and Reclassifications:**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

### **Property Taxes:**

Township property taxes are attached as an enforceable lien on property as of July 1 for the summer levy and December 1 for the winter levy. Taxes levied July 1 and December 1 are due without penalty on or before September 14 and February 14, respectively. These tax bills include the Township’s own property taxes and taxes billed on behalf of the school districts within the Township boundaries and Saginaw County.

The 2005 taxable valuation of the Township totaled \$189,066,993 on which ad valorem taxes levied consisted of .9211 mills for the Township’s operating purposes.

The delinquent real property taxes of the Township are purchased by Saginaw County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

---

## **NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

---

### **Budgetary Information:**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Clerk submits to the Township Board a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Township Board.
4. Any revision that alters the total expenditures of any fund must be approved by the Township.
5. Formal budgetary integration is employed as a management control device during the year for all funds.

# BIRCH RUN TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund budget as originally adopted and amended by the Township Board is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

### **Excess of Expenditures over Appropriations in Budgeted Funds:**

During the year, the Township did not incur expenditures that were in excess of the amounts budgeted.

### **State Construction Code Act:**

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at April 1, 2005	\$ -
Current year building permit revenue	50,270
Related expenditures:	
Direct costs	(67,509)
Indirect costs	-
Cumulative surplus at March 31, 2006	<u>\$ -</u>

---

## **NOTE 3: DEPOSITS AND INVESTMENTS**

---

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Township Board is in accordance with Public Act 196 of 1997. The Township's deposits and investments have been made in accordance with statutory authority.

# BIRCH RUN TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

The Township's deposits are subject to several types of risk, which are presented in more detail as follows:

### Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. At year-end, the Township had \$1,930,287 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$300,060 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. At year end, the Township had no investments.

## NOTE 4: CAPITAL ASSETS

Primary Government capital asset activity for the year ended March 31, 2006 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental activities:</b>				
Nondepreciable capital assets:				
Land	\$ 54,000	\$ -	\$ -	\$ 54,000
Depreciable capital assets:				
Buildings and improvements	997,289	-	-	997,289
Equipment	326,308	37,787	-	364,095
Site improvements	301,234	-	-	301,234
Vehicles	306,216	-	-	306,216
	1,931,047	37,787	-	1,968,834
Accumulated depreciation	(491,980)	(79,274)	-	(571,254)
Total depreciable capital assets, net	1,439,067	(41,487)	-	1,397,580
Governmental activities, capital assets, net	\$ 1,493,067	\$ (41,487)	\$ -	\$ 1,451,580
<b>Business-type activities:</b>				
Depreciable capital assets				
Distribution system	\$ 4,943,010	\$ 60,489	\$ -	\$ 5,003,499
Accumulated depreciation	(1,605,736)	(124,074)	-	(1,729,810)
Business-type activities, capital assets, net	\$ 3,337,274	\$ (63,585)	\$ -	\$ 3,273,689



# BIRCH RUN TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

Depreciation expense was charged to functions as follows:

**Governmental activities:**

General government	\$	10,012
Public Safety		38,664
Recreation and culture		30,598
Total governmental activities	\$	<u>79,274</u>

**Business-type activities:**

Water and Sewer System	\$	124,074
Total business-type activities	\$	<u>124,074</u>

---

## NOTE 5: LONG-TERM LIABILITIES

---

The Township has installment contracts with Saginaw County and the Village of Birch Run that were used to finance water and sewer line construction and general obligation bonds that were used to finance the library building construction and a judgment settlement. The Township's long-term liabilities are general obligations, which are direct obligations of the government and pledge the full faith and credit of the Township.

Long-term liabilities at March 31, 2006 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Annual Principal Installments</u>	<u>Original Loan Amount</u>	<u>Outstanding at Year-End</u>
<b><u>Governmental Activities</u></b>					
<b><u>General Obligation Bonds</u></b>					
1996 Issue - Library Construction Bonds	6/1/05	3.95-5.20%	\$ 70,000	\$ 550,000	\$ -
<b><u>Business-type Activities</u></b>					
<b><u>Contracts Payable - Saginaw County</u></b>					
1994 Issue - Water line extension	6/1/05-6/1/14	5.45-7.00%	20,000-70,000	935,000	530,000
1995 Issue - Water extension/Refund # 1	6/1/05-6/1/15	4.40-6.00%	10,000-35,000	450,000	280,000
1996 Issue - Dixie Highway extension	6/1/05-6/1/16	5.30-5.75%	30,000	575,000	330,000
1996 Issue - Sewer System Capacity	6/1/05-6/1/16	4.5-5.875%	15,000	300,000	165,000
1997 Issue - Sewer System Improvements	6/1/05-6/1/17	6.10-6.20%	5,000-15,000	175,000	125,000
<b><u>Contracts Payable - Village of Birch Run</u></b>					
2003 Issue - Sewer Force Main Refunding	9/1/05-9/1/11	1.45-3.90%	26,933-31,185	265,073	172,935
<b><u>General Obligation Bonds</u></b>					
1994 Issue - Judgment - Engineering fees	5/1/05-5/1/09	5.90-7.10%	20,000	300,000	60,000

# BIRCH RUN TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

The following is a summary of long-term liabilities transactions for the year ended March 31, 2006:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b><u>Governmental Activities</u></b>					
<b><i>General Obligation Bonds</i></b>					
1996 Issue - Library Construction Bonds	\$ 70,000	\$ -	\$ (70,000)	\$ -	\$ -
<b><u>Business-type Activities</u></b>					
<b><i>Contracts Payable - Saginaw County</i></b>					
1994 Issue - Water line extension	\$ 580,000	\$ -	\$ (50,000)	\$ 530,000	\$ 50,000
1995 Issue - Water extension/Refund # 1	300,000	-	(20,000)	280,000	20,000
1996 Issue - Dixie Highway extension	360,000	-	(30,000)	330,000	30,000
1996 Issue - Sewer System Capacity	180,000	-	(15,000)	165,000	15,000
1997 Issue - Sewer System Improvements	135,000	-	(10,000)	125,000	10,000
	<u>1,555,000</u>	<u>-</u>	<u>(125,000)</u>	<u>1,430,000</u>	<u>125,000</u>
<b><i>Contracts Payable - Village of Birch Run</i></b>					
2003 Issue - Sewer Force Main Refunding	204,120	-	(31,185)	172,935	29,767
	<u>204,120</u>	<u>-</u>	<u>(31,185)</u>	<u>172,935</u>	<u>29,767</u>
<b><i>General Obligation Bonds</i></b>					
1994 Issue - Judgment - Engineering fees	80,000	-	(20,000)	60,000	-
	<u>80,000</u>	<u>-</u>	<u>(20,000)</u>	<u>60,000</u>	<u>-</u>
	<u>\$ 1,839,120</u>	<u>\$ -</u>	<u>\$ (176,185)</u>	<u>\$ 1,662,935</u>	<u>\$ 154,767</u>

Annual debt service requirements to maturity for the above contractual obligations are as follows:

<b>Year Ended March 31,</b>	<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 154,767	\$ 90,566	\$ 245,333
2008	178,350	81,253	259,603
2009	173,350	71,791	245,141
2010	186,933	61,866	248,799
2011	168,350	52,028	220,378
2012	176,185	42,476	218,661
2013	155,000	32,870	187,870
2014	160,000	33,335	193,335
2015	160,000	13,616	173,616
2016	80,000	6,427	86,427
2017	55,000	2,515	57,515
2018	<u>15,000</u>	<u>465</u>	<u>15,465</u>
	<u>\$ 1,662,935</u>	<u>\$ 489,208</u>	<u>\$ 2,152,143</u>

# BIRCH RUN TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

---

### NOTE 6: INTERFUND BALANCES

---

The composition of interfund receivable and payable balances at March 31, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Library Debt	\$ 3,517
General Fund	Water and Sewer System Fund	4,511
Library Fund	General Fund	237
Water and Sewer System Fund	Downtown Development Authority Fund	46,033
		<u>\$ 54,298</u>

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

---

### NOTE 7: INTERFUND TRANSFERS

---

Interfund transfers reported in the fund statements were as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General Fund	Library Fund	\$ 75,000
Downtown Development Authority Fund	Water and Sewer System Fund	94,927
	Total	<u>\$ 169,927</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# BIRCH RUN TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

---

### NOTE 8: SPECIAL ASSESSMENTS RECEIVABLE

---

The Township has levied special assessments for the financing of water and sewer lines within the Township. These special assessments receivable balances as of March 31, 2006 are as follows:

ENTERPRISE FUNDS:

1989 Water Extension #2 - Birch Run	\$ 11,339
1989 Water Extension #2 - Frankenmuth	6,730
1994 Water Extension #3	313,113
1995 Water Extension #4	91,922
1996 Sewer Extension #2	150,000
1997 Sewer Extension - Dixie Highway	120,486
	<u>\$ 693,590</u>

---

### NOTE 9: OTHER ASSET – ADDITIONAL PURCHASED CAPACITY

---

The Township entered into a contract with the Genesee Sewer System for the right to treat up to 30 million gallons of sewage monthly. (There is no expiration of this right and the Township did not acquire any tangible property.) The contract agreement cost was \$681,145.97. During the year ended March 31, 1991 the Township sold 50% of this right to the Village of Birch Run for \$340,573. The unamortized balance of \$340,573 is carried as an other asset of the Water and Sewer System Fund. The Township has not yet exercised their rights in connection with this contract.

---

### NOTE 10: DEFERRED REVENUE IN GOVERNMENTAL FUNDS

---

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total Deferred Revenue</u>
Accounts receivable - tax lien	\$ 31,303	\$ -	\$ 31,303

Only the unearned component of deferred revenue is carried forward to the government-wide statement of net assets.

# BIRCH RUN TOWNSHIP

---

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

---

### NOTE 11: RISK MANAGEMENT

---

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, employee injuries (workers' compensation), and natural disasters.

The Township manages its workers compensation risk by purchasing commercial insurance and its liability and property risk by participating in the Michigan Township Participating Plan a public entity risk pool providing property and liability coverage to its participating members. The Township pays an annual premium for its workers compensation, property and liability insurance coverage. The Michigan Township Participating Plan is self-sustaining through member premiums. The Michigan Township Participating Plan provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

---

### NOTE 12: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

---

The Township offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. Participation in the plan is optional.

#### **Post Employment Benefits:**

The Township has no post employment benefits other than the pension plan described above.

---

### NOTE 13: FUND EQUITY

---

Specific reservations of fund equity include:

*Reserved for prepaid expenditures* – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

# **BIRCH RUN TOWNSHIP**

---

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

March 31, 2006

---

### **NOTE 14: DOWNTOWN DEVELOPMENT AUTHORITY AGREEMENTS**

---

To the extent that future DDA captured tax revenues are available, the Township DDA has made agreements to be obligated to the Township Sewer Fund for repayment of the following debts:

1. \$575,000 Sanitary Sewer System Improvement Bonds issued by Saginaw County December 5, 1996. The balance due on these bonds at March 31, 2006 is \$330,000.
2. Contract Payable to Birch Run Village for 28.35% of the past and future payments due on the 1992, \$1.4 million, Village Sanitary Sewer System Bonds payable through Genesee County. These bonds were refunded in 2003. The balance due on these bonds at March 31, 2006 was \$172,935.
3. \$75,000 of the \$175,000 Sewer System Improvement Bonds issued by Saginaw County in May, 1997. The March 31, 2004 total balance of these bonds is \$125,000.
4. A pro-rata portion of the \$300,000 Judgment Bonds Payable. The amount is to be determined annually based on the DDA's use of the Township's sewer engineering plans.

During the year ended March 31, 2006 the Downtown Development Authority transferred \$94,927 to the Water and Sewer System Fund in connection with these agreements.

***REQUIRED SUPPLEMENTAL INFORMATION***

# BIRCH RUN TOWNSHIP

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	<b>Budgeted Amounts</b>			<b>Actual Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>Revenues:</b>				
Property taxes	\$ 190,250	\$ 190,250	\$ 202,535	\$ 12,285
Licenses and permits	84,396	84,396	93,813	9,417
Federal grants	3,400	3,400	-	(3,400)
State grants	319,640	339,640	343,006	3,366
Charges for services	252,260	252,260	202,703	(49,557)
Fines and forfeits	-	-	540	540
Interest and rents	9,000	9,000	38,250	29,250
Other revenue	12,200	12,200	12,347	147
Total revenues	871,146	891,146	893,194	2,048
<b>Expenditures:</b>				
<i>Current:</i>				
General government	269,890	315,390	315,077	(313)
Public safety	174,561	184,561	183,745	(816)
Public works	311,000	242,500	230,644	(11,856)
Community and economic development	16,600	18,600	18,376	(224)
Recreation and culture	27,000	27,000	20,444	(6,556)
Other	4,000	5,000	4,832	(168)
Capital outlay	26,800	36,800	35,804	(996)
Total expenditures	829,851	829,851	808,922	(20,929)
Excess (deficiency) of revenues over expenditures	41,295	61,295	84,272	22,977
<b>Other financing sources (uses):</b>				
Transfers out	(55,000)	(75,000)	(75,000)	-
Net change in fund balance	(13,705)	(13,705)	9,272	22,977
Fund balance, beginning of year	906,146	906,146	906,146	-
Fund balance, end of year	\$ 892,441	\$ 892,441	\$ 915,418	\$ 22,977



# BIRCH RUN TOWNSHIP

## LIBRARY FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>Revenues:</b>				
State grants	\$ 5,000	\$ 5,375	\$ 5,384	\$ 9
Contributions from other units	23,000	24,825	24,833	8
Charges for services	600	940	947	7
Fines and forfeits	600	1,025	1,042	17
Interest	725	725	707	(18)
Other revenue	600	4,135	4,144	9
Total revenues	30,525	37,025	37,057	32
<b>Expenditures:</b>				
<i>Current:</i>				
Recreation and culture	83,525	110,025	109,993	(32)
Capital outlay	2,000	2,000	1,983	(17)
Total expenditures	85,525	112,025	111,976	(49)
Excess (deficiency) of revenues over expenditures	(55,000)	(75,000)	(74,919)	81
<b>Other financing sources (uses)</b>				
Transfers in	55,000	75,000	75,000	-
Net change in fund balance	-	-	81	81
Fund balance, beginning of year	30	30	30	-
Fund balance, end of year	\$ 30	\$ 30	\$ 111	\$ 81

***OTHER SUPPLEMENTAL INFORMATION***

# BIRCH RUN TOWNSHIP

---

## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2006

***Current taxes:***

Property taxes	\$ 138,499
Trailer tax	231
Penalties and interest on taxes	3,332
Administration fees	<u>60,473</u>
	<u>202,535</u>

***Licenses and permits:***

Business licenses and permits	8,230
Nonbusiness licenses and permits	50,270
CATV franchise fees	<u>35,313</u>
	<u>93,813</u>

***State grants:***

Liquor license fees	3,370
State revenue sharing - Sales tax	310,177
Metro Act	5,354
State contribution - election equipment	14,400
State property tax collection reimbursement	<u>9,705</u>
	<u>343,006</u>

***Charges for services:***

Refuse collection fees	179,464
Cemetery fees	10,120
Copies	487
Fire runs	1,500
Zoning/Variance Application Fees	<u>11,132</u>
	<u>202,703</u>

***Fines and forfeits:***

Ordinance fines	<u>540</u>
	<u>540</u>

***Interest and rents:***

Interest	37,570
Rents	<u>680</u>
	<u>38,250</u>

***Other revenue:***

Cemetery lots/perpetual care	3,100
Reimbursements	3,461
Refunds and rebates	203
Other	<u>5,583</u>
	<u>12,347</u>
Total revenues	<u>\$ 893,194</u>

# BIRCH RUN TOWNSHIP

---

## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2006

#### *General Government:*

##### *Board:*

Personnel	\$ 6,210
Fringe benefits	475
Supplies	531
Contracted services	1,270
Transportation	38
Dues and memberships	3,940
Conferences and workshops	321
Printing and publications	1,444
	<u>14,229</u>

##### *Supervisor:*

Personnel	26,350
Fringe benefits	2,016
Supplies	3
Contracted services	123
Telephone	365
Transportation	90
Conferences and workshops	195
	<u>29,142</u>

##### *Clerk:*

Personnel	30,160
Fringe benefits	2,307
Supplies	1,273
Contracted services	2,467
Transportation	145
Dues and memberships	105
Conferences and workshops	388
	<u>36,845</u>

##### *Audit:*

Contracted services	11,930
	<u>11,930</u>

##### *Board of Review:*

Personnel	845
Fringe benefits	65
Printing and publications	414
	<u>1,324</u>

# BIRCH RUN TOWNSHIP

---

## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended March 31, 2006

*General Government (continued):*

*Treasurer:*

Personnel	29,078
Fringe benefits	2,224
Supplies	1,910
Contracted services	9,022
Transportation	425
Dues and memberships	75
Conferences and workshops	85
Printing and publications	172
	<u>42,991</u>

*Assessor:*

Supplies	3,370
Contracted services	65,402
Other	195
	<u>68,967</u>

*Elections:*

Supplies	3,241
Contracted services	10,192
Transportation	98
Printing and publications	541
	<u>14,072</u>

*Hall and Grounds:*

Supplies	7,828
Contracted services	12,380
Telephone	3,247
Insurance	8,119
Utilities	5,476
Repairs and maintenance	1,729
Other	34
	<u>38,813</u>

*Attorney:*

Contracted services	13,764
	<u>13,764</u>

*Cemetery:*

Personnel	3,770
Fringe benefits	288
Supplies	2,231
Contracted services	32,906
Utilities	559
	<u>39,754</u>

# BIRCH RUN TOWNSHIP

---

## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended March 31, 2006

***General Government (continued):***

*Other General Government:*

Contracted services	3,246
	<u>3,246</u>
Total general government	<u>315,077</u>

***Public Safety:***

*Police:*

Contracted services	20,441
	<u>20,441</u>

*Liquor Enforcement:*

Contracted services	3,372
	<u>3,372</u>

*Fire:*

Personnel	31,673
Fringe benefits	2,423
Supplies	14,691
Contracted services	10,996
Telephone	1,739
Dues and memberships	1,287
Conferences and workshops	9,340
Insurance	9,426
Utilities	8,623
Repairs and maintenance	2,225
	<u>92,423</u>

*Building Inspection Department:*

Personnel	53,137
Fringe benefits	4,065
Supplies	1,538
Contracted services	1,503
Telephone	1,238
Transportation	173
Dues and memberships	13
Conferences and workshops	582
Printing and publications	260
Insurance	5,000
	<u>67,509</u>

Total public safety	<u>183,745</u>
---------------------	----------------

# BIRCH RUN TOWNSHIP

---

## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended March 31, 2006

***Public Works:***

*Roads:*

Contracted services	63,943
	<u>63,943</u>

*Street Lighting:*

Utilities	7,946
Other	137
	<u>8,083</u>

*Refuse:*

Contracted services	158,618
	<u>158,618</u>

Total public works	<u>230,644</u>
--------------------	----------------

***Community and Economic Development:***

*Planning:*

Personnel	5,290
Fringe benefits	405
Supplies	70
Contracted services	142
Dues and memberships	60
Education and training	163
Printing and publications	726
	<u>6,856</u>

*Zoning:*

Personnel	10,177
Fringe benefits	779
Supplies	62
Telephone	58
Conferences and workshops	300
Printing and publications	144
	<u>11,520</u>

Total community and economic development	<u>18,376</u>
--	---------------

***Recreation and Culture:***

*Parks Department:*

Supplies	793
Contracted services	18,198
Utilities	988
Repairs and maintenance	465
	<u>20,444</u>

Total recreation and culture	<u>20,444</u>
------------------------------	---------------

# **BIRCH RUN TOWNSHIP**

---

## *GENERAL FUND*

### **DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)**

Year Ended March 31, 2006

***Other:***

Insurance and bonds	4,832
Total other	<u>4,832</u>

***Capital Outlay:***

General government	27,020
Public safety	6,095
Recreation and culture	<u>2,689</u>
Total capital outlay	<u>35,804</u>

Total expenditures	808,922
--------------------	---------

**Other Financing Uses:**

Transfers to other funds	<u>75,000</u>
--------------------------	---------------

Total expenditures and other financing uses	<u>\$ 883,922</u>
---	-------------------



# BIRCH RUN TOWNSHIP

## NONMAJOR GOVERNMENTAL FUNDS

### BALANCE SHEET

March 31, 2006

	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Permanent Fund</b>	
	<b>Downtown Development Authority</b>	<b>Library Debt</b>	<b>Cemetery Perpetual Care Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ 112,594	\$ 3,948	\$ 1,863	\$ 118,405
Taxes receivable	867	-	-	867
Total assets	<u>\$ 113,461</u>	<u>\$ 3,948</u>	<u>\$ 1,863</u>	<u>\$ 119,272</u>
<b>Liabilities and Fund Balances:</b>				
<i>Liabilities:</i>				
Due to other funds	\$ 46,033	\$ 3,517	\$ -	\$ 49,550
Total liabilities	<u>46,033</u>	<u>3,517</u>	<u>-</u>	<u>49,550</u>
<i>Liabilities:</i>				
Reserved for:				
Debt service	-	431	-	431
Nonexpendable cemetery principal	-	-	1,863	1,863
Unreserved:				
Special revenue funds	<u>67,428</u>	<u>-</u>	<u>-</u>	<u>67,428</u>
Total fund balances	<u>67,428</u>	<u>431</u>	<u>1,863</u>	<u>69,722</u>
Total liabilities and fund balances	<u>\$ 113,461</u>	<u>\$ 3,948</u>	<u>\$ 1,863</u>	<u>\$ 119,272</u>

# BIRCH RUN TOWNSHIP

## NONMAJOR GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year Ended March 31, 2006

	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Permanent Fund</u>	
	<u>Downtown Development Authority</u>	<u>Library Debt</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues:</b>				
Property taxes	\$ 91,030	\$ 312	\$ -	\$ 91,342
Interest earned	300	4	33	337
Total revenues	<u>91,330</u>	<u>316</u>	<u>33</u>	<u>91,679</u>
<b>Expenditures:</b>				
<i>Current:</i>				
Community and economic development	5,166	-	-	5,166
Debt service:				
Principal	-	70,000	-	70,000
Interest and fees	-	1,841	-	1,841
Total expenditures	<u>5,166</u>	<u>71,841</u>	<u>-</u>	<u>77,007</u>
Excess (deficiency) of revenues over expenditures	<u>86,164</u>	<u>(71,525)</u>	<u>33</u>	<u>14,672</u>
<b>Other financing sources (uses):</b>				
Transfers out	<u>(94,627)</u>	<u>-</u>	<u>-</u>	<u>(94,627)</u>
Net change in fund balances	(8,463)	(71,525)	33	(79,955)
Fund balances, beginning of year	<u>75,891</u>	<u>71,956</u>	<u>1,830</u>	<u>149,677</u>
Fund balances, end of year	<u>\$ 67,428</u>	<u>\$ 431</u>	<u>\$ 1,863</u>	<u>\$ 69,722</u>

# BIRCH RUN TOWNSHIP

---

## *FIDUCIARY FUNDS – AGENCY FUND*

### COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

March 31, 2006

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>
<hr/> <b>Property Tax Collection Fund</b> <hr/>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 12,827	\$ 6,027,890	\$ 6,011,490	\$ 29,227
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 17,704	\$ -	\$ 17,704
Due to other governmental units	12,827	6,010,186	6,011,490	11,523
	<u>\$ 12,827</u>	<u>\$ 6,027,890</u>	<u>\$ 6,011,490</u>	<u>\$ 29,227</u>

# **BIRCH RUN TOWNSHIP**

---

## *PROPRIETARY FUND*

### **SCHEDULE OF INDEBTEDNESS - WATER EXTENSION #2**

March 31, 2006

TYPE OF ISSUE: Contract Payable – Saginaw County  
PURPOSE OF ISSUE: To construct an extension to the water line  
AMOUNT OF ISSUE: \$935,000  
INTEREST RATES: 5.45% to 7.00%

Fiscal Year Ended March 31,	Interest Rate	Principal 6/1	Interest		Total
			6/1	12/1	
2007	5.90%	\$ 50,000	\$ 16,552	\$ 15,078	\$ 81,630
2008	6.00%	55,000	15,078	13,427	83,505
2009	6.10%	50,000	13,427	11,903	75,330
2010	6.20%	55,000	11,903	10,197	77,100
2011	6.30%	55,000	10,197	8,465	73,662
2012	6.35%	60,000	8,465	6,560	75,025
2013	6.40%	65,000	6,560	4,480	76,040
2014	6.40%	70,000	4,480	2,240	76,720
2015	6.40%	70,000	2,240	-	72,240
		<u>\$ 530,000</u>	<u>\$ 88,902</u>	<u>\$ 72,350</u>	<u>\$ 691,252</u>

# **BIRCH RUN TOWNSHIP**

---

## *PROPRIETARY FUND*

### **SCHEDULE OF INDEBTEDNESS - WATER SUPPLY SYSTEM AND WATER EXTENSION #3**

March 31, 2006

TYPE OF ISSUE: Contract Payable – Saginaw County  
PURPOSE OF ISSUE: To construct an extension to the water line and refund #1 extension bonds.  
AMOUNT OF ISSUE: \$450,000  
INTEREST RATES: 4.4% to 6.00%

Fiscal Year Ended March 31,	Interest Rate	Principal 6/1	Interest		Total
			6/1	12/1	
2007	5.30%	\$ 20,000	\$ 8,068	\$ 7,537	\$ 35,605
2008	5.40%	20,000	7,538	6,997	34,535
2009	5.50%	20,000	6,998	6,447	33,445
2010	5.60%	30,000	6,448	5,607	42,055
2011	5.70%	30,000	5,608	4,752	40,360
2012	5.80%	30,000	4,753	3,882	38,635
2013	5.90%	35,000	3,883	2,850	41,733
2014	6.00%	35,000	2,850	1,800	39,650
2015	6.00%	35,000	1,800	750	37,550
2016	6.00%	25,000	750	-	25,750
		\$ 280,000	\$ 48,696	\$ 40,622	\$ 369,318

# **BIRCH RUN TOWNSHIP**

---

## *PROPRIETARY FUND*

### **SCHEDULE OF INDEBTEDNESS - SANITARY SEWER SYSTEM IMPROVEMENTS**

March 31, 2006

TYPE OF ISSUE: Contract Payable – Saginaw County  
PURPOSE OF ISSUE: To construct Dixie Highway Extension  
AMOUNT OF ISSUE: \$575,000  
INTEREST RATES: 5.30% to 5.75%

Fiscal Year Ended March 31,	Interest Rate	Principal 6/1	Interest		Total
			6/1	12/1	
2007	5.45%	\$ 30,000	\$ 9,203	\$ 8,385	\$ 47,588
2008	5.45%	30,000	8,385	7,568	45,953
2009	5.45%	30,000	7,567	6,750	44,317
2010	5.50%	30,000	6,750	5,925	42,675
2011	5.50%	30,000	5,925	5,100	41,025
2012	5.60%	30,000	5,100	4,260	39,360
2013	5.65%	30,000	4,260	3,412	37,672
2014	5.65%	30,000	3,413	2,565	35,978
2015	5.65%	30,000	2,565	1,718	34,283
2016	5.70%	30,000	1,717	863	32,580
2017	5.75%	30,000	862	-	30,862
		\$ 330,000	\$ 55,747	\$ 46,546	\$ 432,293

# **BIRCH RUN TOWNSHIP**

---

## *PROPRIETARY FUND*

### **SCHEDULE OF INDEBTEDNESS - SANITARY SEWER SYSTEM CAPACITY**

March 31, 2006

TYPE OF ISSUE: Contract Payable – Saginaw County  
PURPOSE OF ISSUE: To pay off contract to Genesee County for sewer system capacity.  
AMOUNT OF ISSUE: \$300,000  
INTEREST RATES: 4.5% to 5.875%

Fiscal Year Ended March 31,	Interest Rate	Principal 6/1	Interest		Total
			6/1	12/1	
2007	4.80%	\$ 15,000	\$ 4,328	\$ 3,967	\$ 23,295
2008	4.90%	15,000	3,968	3,600	22,568
2009	5.00%	15,000	3,600	3,225	21,825
2010	5.10%	15,000	3,225	2,842	21,067
2011	5.20%	15,000	2,843	2,452	20,295
2012	5.30%	15,000	2,453	2,055	19,508
2013	5.40%	15,000	2,055	1,650	18,705
2014	5.50%	15,000	1,650	1,237	17,887
2015	5.50%	15,000	1,238	825	17,063
2016	5.50%	15,000	825	412	16,237
2017	5.50%	15,000	413	-	15,413
		\$ 165,000	\$ 26,598	\$ 22,265	\$ 213,863

# **BIRCH RUN TOWNSHIP**

---

## *PROPRIETARY FUND*

### **SCHEDULE OF INDEBTEDNESS - SEWER SYSTEM**

March 31, 2006

TYPE OF ISSUE: Contract Payable – Saginaw County  
PURPOSE OF ISSUE: Sewer System Improvements  
AMOUNT OF ISSUE: \$175,000  
INTEREST RATES: 6.10% to 6.20%

Fiscal Year Ended March 31,	Interest Rate	Principal 6/1	Interest		Total
			6/1	12/1	
2007	6.15%	\$ 10,000	\$ 3,865	\$ 3,558	\$ 17,423
2008	6.15%	10,000	3,558	3,250	16,808
2009	6.15%	10,000	3,250	2,943	16,193
2010	6.15%	10,000	2,943	2,635	15,578
2011	6.20%	10,000	2,635	2,325	14,960
2012	6.20%	10,000	2,325	2,015	14,340
2013	6.20%	10,000	2,015	1,705	13,720
2014	6.20%	10,000	1,705	1,395	13,100
2015	6.20%	10,000	1,395	1,085	12,480
2016	6.20%	10,000	1,085	775	11,860
2017	6.20%	10,000	775	465	11,240
2018	6.20%	15,000	465	-	15,465
		<u>\$ 125,000</u>	<u>\$ 26,016</u>	<u>\$ 22,151</u>	<u>\$ 173,167</u>



# **BIRCH RUN TOWNSHIP**

---

## *PROPRIETARY FUND*

### **SCHEDULE OF INDEBTEDNESS - SEWER LINE**

March 31, 2006

TYPE OF ISSUE: Contract Payable – Village of Birch Run  
PURPOSE OF ISSUE: Purchase 28.35% Share in Sewer Force Main from Village  
AMOUNT OF ISSUE: \$265,073  
INTEREST RATES: 1.45% to 3.9%

Fiscal Year Ended March 31,	Interest Rate	Principal 9/1	Interest		Total
			9/1	3/1	
2007	2.50%	\$ 29,767	\$ 2,729	\$ 2,356	\$ 34,852
2008	2.60%	28,350	2,356	1,988	32,694
2009	3.00%	28,350	1,988	1,563	31,901
2010	3.30%	26,933	1,563	1,118	29,614
2011	3.60%	28,350	1,118	608	30,076
2012	3.90%	31,185	608	-	31,793
		<u>\$ 172,935</u>	<u>\$ 10,362</u>	<u>\$ 7,633</u>	<u>\$ 190,930</u>

# **BIRCH RUN TOWNSHIP**

---

## *PROPRIETARY FUND*

### **SCHEDULE OF INDEBTEDNESS - JUDGMENT BONDS**

March 31, 2006

TYPE OF ISSUE: General Obligation Bond  
PURPOSE OF ISSUE: Payment of Judgment - Wade Trim/Edmands  
AMOUNT OF ISSUE: \$300,000  
INTEREST RATES: 5.90% to 7.10%

Fiscal Year Ended March 31,	Interest Rate	Principal 5/1	Interest		Total
			5/1	11/1	
2007	7.00%	\$ -	\$ -	\$ 2,120	\$ 2,120
2008	7.00%	20,000	2,120	1,420	23,540
2009	7.10%	20,000	1,420	710	22,130
2010	7.10%	20,000	710	-	20,710
		<u>\$ 60,000</u>	<u>\$ 4,250</u>	<u>\$ 4,250</u>	<u>\$ 68,500</u>



August 24, 2006

To The Township Board  
Birch Run Township

We have audited the financial statements of Birch Run Township for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

#### Our Responsibility Under U.S. Generally Accepted Auditing Standards

We conducted our audit of the financial statements of Birch Run Township in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

#### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Birch Run Township are described in Note 1 to the financial statements. We noted no transactions entered into by Birch Run Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the organization's financial statements, dated August 24, 2006.

Summary

We welcome any questions you may have regarding the foregoing.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants